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Wine

Reform of the EU Wine Regime

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Approved by:
Kelly Stange
U.S. Mission to the EU

Prepared by:
Hilde Brans

Report Highlights:
On July 4, 2007, the European Commission published the long awaited proposal for a reform of the Common Market Organization (CMO) for wine. Reaching political agreement on the wine reform will be one of the priorities of the Portuguese Presidency, which ends on December 31, 2007.

Includes PSD Changes: No
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The Wine CMO Reform: Commission Proposal

Proposal

On July 4, 2007, the European Commission published the long awaited proposal for a reform of the Common Market Organization (CMO) for wine. With the exception of amended measures for a grubbing-up scheme and the eligibility of the vine area for the single payment scheme, the proposal does not differ from the Commission's Communication on the future of the European wine-producing sector which was published in June 2006 (see GAIN report E36100). The proposal, which already proves controversial, aims to reduce the EU's wine surplus through a number of measures regarding supply and demand, as well as promotion and marketing. Key to the reform is a more efficient use of the available budget (1.3 billion euros) by abolishing subsidies for distillation, private storage and export refunds. Aid for grape must in relation to enrichment, will also be abolished in line with the introduction of a ban on the use of sugar for enrichment. European Commissioner for Agriculture and Rural Development Fisher Boel stated in a press release "We currently waste too much money – over a third of our budget – getting rid of surplus wine instead of improving our competitiveness and promoting our wines". Reaching political agreement on the wine reform proposal will be one of the priorities of the Portuguese Presidency, which ends on December 31, 2007.

The proposed approach consists of two phases. The first phase, from 2008 to 2013, would involve restoring market balance by offering incentives for wine growers to leave the sector. Throughout this period new measures would be introduced to improve competitiveness, including, in a second phase, the abolition of the planting rights restrictions as from January 1, 2014. The main objectives of the reform are to:

- increase the competitiveness of EU wine producers, strengthen and promote the reputation of EU quality wine, recover old markets and win new ones
- balance supply and demand and simplify rules
- preserve the best traditions of EU wine production
- reinforce the social structure of rural areas and respect the environment

Details of the proposed reform:

Abolition of market management measures: From the date of entry into force of the reform, crisis distillation, support for by-product distillation, potable alcohol and dual-purpose grape distillation, private storage aid, export refunds and aid for enrichment of wine will be abolished.

Ban on sugar for enrichment: From the date of entry into force, the use of sugar for enriching wine (chaptalisation) will be banned. Ending chaptalisation would force some wine producers to make investments to introduce the use of must for enrichment. All EU wine would be produced from grapes and unsubsidized must.

Grubbing-up scheme: Wine growers wishing to leave the sector will be offered a voluntary grubbing-up premium. In the first year of the reform, the premium will be 30 percent higher than the existing premium and then gradually decrease over the five years of the scheme (from 430 million euros in the first year to 59 million euros in the fifth year). The total area grubbed up should reach about 200,000 hectares at the end of the five-year period. Member States will be allowed to limit grubbing up in mountain and steep-sloped vineyards and in environmentally sensitive regions. Member States may also stop grubbing up if the total reaches 10 percent of a country's area under vines.

Single Payment Scheme: In order to bring the sector in line with the reformed Common Agricultural Policy (CAP), all vine-growing areas will be eligible for Single Payment Scheme entitlements. Grubbed-up areas would automatically qualify for the payment making them subject to cross-compliance, i.e. keeping them in good agricultural and environmental condition.

Ending planting rights restrictions: The system of planting rights restrictions will be extended from 2010 (deadline under current CMO) to 2013. As of January 1, 2014, planting restrictions will be abolished and competitive producers will be able to plant new vines to expand their production. Without the artificial outlets provided by the distillation schemes, the decision to increase production will depend on the producers' ability to find economic outlets for their production.

National financial envelopes: Setting national envelopes will allow Member States to adapt measures to their specific situation. The overall budget allocated to this type of measures will vary from 623 million euros in 2009 to 830 million euros from 2015 onwards. Out of this budget, a national financial envelope will be made available to each wine-producing Member State, calculated according to three objective criteria: vine area, production and historical expenditure. Using their envelope, every Member State will be allowed to finance measures from a given menu which includes: new support from promotion in third countries, vineyard restructuring/conversion scheme, support for green harvest, and new crisis management measures (insurance against natural disasters and administrative costs of setting up a sector-specific mutual fund).

Rural Development (RD) measures: Many measures which are included in the Rural Development regulation could be of interest to the wine sector. A transfer of funds between budget headings (from market support measures to rural development) would be earmarked specifically for the wine-producing regions. The transferred budget would rise from 100 million euros in 2009 to 400 million euros from 2014 onwards. Under rural development it will be possible for Member States to provide investment support to wine producers who have to change from the use of sugar for enrichment to the use of must. Aid under rural development can be used for: setting up young farmers, improving marketing, vocational training, support for producer organizations, maintaining the cultural landscape of a region and early retirement.

Oenological practices: Responsibility for approving new or modifying existing oenological practices will be transferred from the Council to the Commission. The Commission will assess the oenological practices accepted by the International Organization of Vine and Wine (OIV) and incorporate them into a Commission Regulation. Oenological practices which were previously not allowed within the EU but which are recognized by the OIV will apply to wine produced for export. Bans on imports of must for vinification and on blending EU wines with imported wines will be maintained.

Labeling rules: The concept of EU quality wines will be based on a geographical origin approach. Wines with a geographical indication (GI) will be divided into wines with a protected geographical indication (PGI) and wines with a protected designation of origin (PDO). A procedure for registration and protection of GIs will be established. Labeling provisions would be simplified by setting up a single legal framework that applies to all the different categories of wine. Under the new rules, EU wines without GIs would be allowed to indicate the grape variety and vintage on the label.

Links

- European Commission Proposal:
http://ec.europa.eu/agriculture/capreform/wine/com2007_372_en.pdf

- European Commission impact assessment report:
http://ec.europa.eu/agriculture/capreform/wine/impact072007/full_en.pdf

- European Commission website on the wine CMO reform:
http://ec.europa.eu/agriculture/capreform/wine/index_en.htm

- COPA-COGECA: The wine CMO reform – analysis and proposals: http://www.copa-cogeca.be/pdf/CP_07_VIN_E.pdf

- GAIN report E36100 “Reform of the Wine Sector” (June 2006):
http://www.fas.usda.gov/gainfiles/200607/146208152.pdf

- USEU website on wine: http://useu.usmission.gov/agri/wineCMO.html